

Certification of claims and returns - annual report

Tendring District Council

Audit 2009/10

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Summary

Funding from government grant-paying departments is an important income stream for the Council. The Council needs to manage claiming this income carefully. It needs to demonstrate to the auditors that it has met the conditions which attach to these grants. This report summarises the findings from the certification of 2009/10 claims. It includes the messages arising from my assessment of your arrangements for preparing claims and returns and information on claims that we amended or qualified.

Certification of claims

1 Tendring District Council receives more than £88 million funding from various grant paying departments that require certification. The grant paying departments attach conditions to these grants. The Council must show that it has met these conditions. If the Council cannot evidence this, the funding can be at risk. It is therefore important the Council manages certification work properly and can show to us, as auditors, that they meet relevant conditions.

2 In 2009/10, we certified 4 claims with a total value of £65.2 million and two returns with a total value of £22.8 million. Of these, we carried out a limited review of one return and a full review of five claims and returns. (Paragraph 7 explains the difference.)

Significant findings

3 Overall we identified very few errors or reporting issues from our audit of Tendring's claims and returns, reflecting a good standard of compilation and presentation. We qualified the Housing and Council Tax Benefit claim and the Housing Subsidy Base Data return, the latter due to the need to clarify the status of guidance. Further details are set out below and in Appendix 1.

Certification fees

4 The fees charged for the certification of 2009/10 claims and returns totalled £53,099, compared to £60,680 for our work on 2008/09 claims and returns, a reduction of £7,581 or 12.5 per cent.

Background

5 The Council claims more than £88 million for specific activities from grant paying departments that require our certification. As this is significant to the Council's income it is important the income is managed effectively. In particular this means:

- an adequate control environment over each claim and return; and
- ensuring the Council can evidence that it has met the conditions attached to each claim.

6 I am required by section 28 of the Audit Commission Act 1998 to certify claims and returns for grants or subsidies paid by government departments and other public bodies to Tendring District Council. I charge a fee to cover the full cost of certifying claims. The fee depends on the work required to certify each claim or return.

7 The Council is responsible for compiling grant claims and returns that meet the requirements and timescales set by the grant paying departments. The key features of the current arrangements are as follows.

- For claims and returns below £125,000 the Commission does not make certification arrangements.
- For claims and returns between £125,000 and £500,000, auditors undertake limited tests to agree form entries to underlying records, but do not undertake any testing of eligibility of expenditure.
- For claims and returns over £500,000 auditors assess the control environment for the preparation of the claim or return to decide whether they can place reliance on it. Where reliance is placed on the control environment, auditors undertake limited tests to agree from entries to underlying records but do not undertake any testing of the eligibility of expenditure or data. Where reliance cannot be placed on the control environment, auditors undertake all the tests in the certification instruction and use their assessment of the control environment to inform decisions on the level of testing required. This means the audit fees for certification work reduce if the control environment is strong.
- For claims spanning over more than one year, the financial limits above relate to the amount claimed over the entire life of the claim and testing is applied accordingly. The approach dictates the amount of grants work we carry out, with a clear emphasis on the high value claims.

Findings

Control environment

8 For our assessment of claims and returns produced by the Council, we assess the control arrangements in place to ensure that the Council compile data accurately, and the claim or return is completed correctly. This helps to reduce the risk attached to any particular claim or return.

9 For all claims and returns we were able to place reliance on the control environment.

Specific claims

Housing and Council Tax Benefits

10 The certification of the Council's Housing and Council Tax Benefits return is the largest and most complex claim we audit. The audit of the claim at Tendring proceeded smoothly and supporting papers were in general well presented for audit. Good presentation of working papers can significantly reduce the costs of audit certification.

11 It is common for this claim to result in a qualified audit report but only one issue relating to two cases in our sample arose from our extensive testing programme in 2009/10 and is set out below.

12 Our testing of 78 cases across the full range of benefits identified two cases where the amount of state pension received had been understated. This arose because the Council did not apply the annual uplift of pensions to the full year; the system had been updated from 22 February only.

13 The Council decided not to apply the uplift for the full year as this would potentially create many small overpayments across all relevant claims. The Council considered that the resultant cost of recovering the resultant overpayment would outweigh the small reduction in benefits awarded. The Council also considered that applying the changes would cause unnecessary stress or confusion to pensioners. As a result the Council decided not to backdate the uplifts to 1 April 2009.

14 Where a council does not rectify errors identified from the audit we are required to report the matter to the Department of Work and Pensions.

Housing Subsidy Base Data Return

15 The Housing Subsidy Base Data Return was qualified for an issue identified relating to notional rental income. There was a contradiction in two sources of guidance over where this figure should be derived from. We reported to the Department of Communities and Local Government to gain clarification on this issue.

Appendix 1 Summary of 2009/10 certified claims

Table 1: **Claims and returns above £500,000**

Claim	Value £	Adequate control environment	Amended	Qualification letter
Housing and Council Tax Benefit	66,693,316	Yes	Yes	Yes
HRA Subsidy Base Data Return	N/A	Yes	No	Yes
HRA Subsidy	1,954,362	Yes	No	No
Disabled Facilities	540,000	Yes	No	No
Total	69,187,678			
Return				
National Non-Domestic Rates	22,593,308	Yes	Yes	No

Table 2: **Claims and Returns between £125,000 and £500,000**

Claim	Value £	Amended
Return		
Pooling of Capital Receipts	187,507	No

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